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Brazil Alone Filled 'Other Countries' Import Quota 2005

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Report Highlights:

Brazil may take second place after the U.S. in poultry exports to Russia. Russian importers used the veterinary ban on poultry imports from southern Italy to reallocate EU quotas to Brazil. Brazil may not only use up the entire "other countries" quota but most of the EU quota as well.

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Summary

Russian media have commented that one country, Brazil, may fill the poultry import quotas of "other countries" and of the EU. Brazil, which the Russian government has always listed under "other countries" in its ranking of poultry suppliers, may take second place after the U.S. in terms of poultry exports to Russia. Russian importers used the veterinary ban on poultry imports from southern Italian regions to have quotas intended for the EU reallocated in favor of Brazil.

Below is an informal translation of one article that describes the viewpoint of Russian meat market experts.

Source: Vedomosti

Date: July 26, 2005

Title: South American Country Becoming Largest Chicken Exporter

Brazil, which the Russian government always listed under "other countries" in its ranking of poultry suppliers, may take second place after the USA in terms of poultry export to Russia. Russian importers used the veterinary ban on poultry import from southern Italian regions to have quotas re-issued [that were] intended for the EU in favor of Brazil.

Since 2003, poultry imports to Russia have been restricted with a quota in the amount of 1,050,000 tons per year. The quota is distributed among main supplying countries based on the historical principle. In 2005, the quota for the USA came to 771,900 tons, European Union - 205,000 tons, Paraguay - 5,000 tons, all other countries, including Brazil - 68,100.

From January to July, Brazil exported 133,011 tons of poultry meat to Russia, according to the ABEF. According to the same period of 2004, the growth in imports came to 53%. "This is a rather odd number considering that the maximum annual quota for Brazil is 68,100 tons. Most likely this is contraband," commented one of the suppliers of U.S. leg quarters to Russia. Vedomosti was unable to contact ABEF's representative in Russia and traditional meat importers from Brazil not only refused to comment but even to have their company names mentioned.

Yesterday, the press service of the Ministry of Economic Development, which is involved in the issue of licenses and also controls the Federal Customs Service, only assumed that importers used the opportunity to transfer quotas from one country to another. This is allowed since last year in case of a veterinary ban on meat suppliers from another country.

According to the executive director of the Association of Russian Poultry Meat Market Operators Anton Surikov, this year a complicated epizootic situation has formed in the southern regions of Italy. High-pathogenic avian influenza was found in a flock of turkeys in the Italian province of Breshia (Lombardia region). On April 20, Rosselkhoznadzor [Note: the Russian Federal Service for Veterinary and Phytosanitary Surveillance] banned imports of poultry meat to Russia from Italy.

"Importers used this ban and had their European licenses replaced with Brazilian," Surikov explains. A ban on meat imports from Monaco would have been enough because a unified quota has been allocated for the EU.

Italy is not the largest producer and importer of poultry in the world. According to the Agricultural Market Research Institute, in 2004 762 tons of chicken meat was imported into Russia from Italy. But reissuing of the quotas enabled producers to import 65,000 tons in

excess of the quota. "At this rate, Brazil may not only use up the entire quota of "other countries" but most of the EU quota as well," assumes Dmitriy Rylko, Director General of the Institute. Surikov agrees: "This year the volume of Brazilian poultry import will be greater than in 2004."

Last year, having the same amount of 68,000 tons at its disposal, Brazil imported 191,000 tons of poultry to Russia as part of the quota for "other countries." Rosselkhoznadzor helped Brazil increase supplies at that time by banning imports of chicken meat from several U.S. States and the EU.

The selection of Brazilian chicken is explained by importers by the fact that it is cheaper than European and packaged better than American poultry. "The Brazilian lay parchment between leg quarters which enables them to achieve a virtually dry freeze," says director of Euroservis Igor Kofman. He says the wholesale price on Brazilian leg quarters is 1-2 rubles/kilo higher than on U.S. leg quarters, but there is 1.5%-2% less ice in Brazilian boxes.

Comments

Brazilian chickens are also popular with traders as Brazil was included into the list of developing countries that have 25 per cent preferences from the import tariff. The application of this loophole, the ability to reallocate tariff rate quotas when any portion of a country or region has a disease outbreak, makes a sham of the tariff-quota scheme's historical country principle. The emergence of Brazil as a contender for the title of second-largest poultry meat exporter to Russia, when it has no quota of its own, makes that point clear.